

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY

In the Matter of )  
 )  
Proposed Elimination of Detailed )  
Continuing Property Records )  
for Certain Support Assets )

RM-8640

DOCKET FILE COPY ORIGINAL

**NYNEX COMMENTS**

The NYNEX Telephone Companies ("NYNEX")<sup>1</sup> file these Comments in response to the May 17, 1995 Public Notice<sup>2</sup> released by the Commission's Accounting and Audits Division in the above-captioned matter.

**I. INTRODUCTION AND OVERVIEW**

The Notice invites comment on USTA's May 31, 1994 Petition for Rulemaking which proposed that the Commission amend Part 32 of its rules to eliminate detailed continuing property records ("CPRs") for certain support asset accounts subject to the depreciation process. The Notice seeks comment on alternatives for simplifying CPR requirements for these support assets; how USTA's proposal or any alternative provides for adequate internal controls to safeguard these assets; and on what records are necessary to ascertain the location, existence and cost of these assets.

NYNEX commends USTA's effort to simplify the regulatory process. However, the best way to achieve simplification in this area is to adopt a meaningful increase in the dollar limit for expensing equipment, the subject of a pending rulemaking (CC Docket

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<sup>1</sup> The NYNEX Telephone Companies are New England Telephone and Telegraph Company and New York Telephone Company.

<sup>2</sup> 60 Fed. Reg. 26402.

No. 95-60; RM-8448). This offers a relatively quick and simple way for the Commission to significantly decrease the number of equipment items requiring CPRs.

## **II. THE COMMISSION SHOULD TAKE ACTION TO REDUCE CONTINUING PROPERTY RECORD KEEPING REQUIREMENTS**

### **A. The USTA Proposal**

USTA recommends elimination of CPRs for the items in Accounts 2115, Garage equipment; 2116, Other work equipment; 2122, Furniture; 2123, Office equipment; and the personal computers and peripheral equipment in Account 2124, General purpose computers. In place of CPRs for these accounts, USTA proposes that carriers be permitted to use a vintage amortization level (“VAL”) property record system. Under this system, the net book value of assets in each account would be placed in a VAL group and amortized on a straight-line basis over the remaining life that results from the Commission-approved range of lives.

### **B. The Need For Regulatory Simplification**

USTA’s effort to ameliorate the record keeping burden associated with detailed CPRs for small dollar amount items in the support asset accounts is laudable. For some items, the cost of maintaining records over the life of the asset probably exceeds the cost of the asset. As USTA points out, a disproportionate amount of resources is currently being dedicated to maintaining CPRs for support assets. The administrative cost of support assets is approximately triple the proportionate relationship to industry plant.<sup>3</sup>

As competition intensifies, the Commission should pursue opportunities wherever possible to streamline regulatory requirements that are costly and lack offsetting benefits. Like unregulated enterprises, carriers should have an incentive to keep detailed records

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<sup>3</sup> USTA Petition for Rulemaking, pp. 3-4.

for support assets only where it makes business sense to do so. Regulatory simplification in this area will reduce costs incurred by carriers as well as the Commission, with resulting benefits to consumers. Moreover, such streamlining carries through on the Commission's efficiency objectives underlying such dockets as incentive regulation/price caps<sup>4</sup> and depreciation simplification.<sup>5</sup>

**C. Increasing The Expensing Limit For Equipment Items Is Preferable To USTA's VAL Proposal**

NYNEX believes the simplification of CPR requirements can be better achieved through an increase in the expensing limit.

First, the Notice suggests that the Commission may view it as necessary for carriers to maintain records indicating the location, existence and cost of support assets. However, such a record keeping system would in effect replicate CPRs and defeat the purpose of simplification.

Second, many carriers such as NYNEX must maintain detailed property records for support assets to comply with state regulatory requirements. If the FCC were to eliminate CPRs and adopt a VAL system for support assets without corresponding relief from the states, NYNEX would be left with a net increase in regulatory requirements.

Third, the amortization periods under VAL rely upon the asset lives chosen from the Commission-approved range of lives. Unfortunately, this approach does not reflect differences between companies and their operating environments. Also, a method for modifying VAL lives would need to be adopted to take account of technological or market changes impacting expected lives.

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<sup>4</sup> CC Docket No. 94-1.

<sup>5</sup> CC Docket No. 92-296. The question in the Public Notice regarding adequate controls to safeguard support assets is puzzling. Physically safeguarding the assets is a separate requirement from maintaining detailed property records. Inventory security control will continue to be maintained in any case.

Finally, the Commission has pending a rulemaking proceeding<sup>6</sup> to consider increasing the current \$500 limit for expensing, rather than capitalizing, certain items of equipment including many support assets. NYNEX plans to file comments in that proceeding proposing a significant increase in that limit. Since CPRs are not required for expensed assets, by adopting a meaningful increase in the expensing limit, the Commission can reduce significantly the amount of items requiring detailed property record keeping. This offers a relatively simple opportunity for the Commission to secure the regulatory streamlining benefits sought by USTA's petition.

### III. CONCLUSION

The Commission should move quickly to increase the expensing limit as the best way to eliminate undue record keeping burdens applying to support assets of relatively low dollar amounts.

Respectfully submitted,

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<sup>6</sup> CC Docket No. 95-60, RM-8448, Revision to Amend Part 32 to Raise the Expense Limit NPRM released May 31, 1995.

**CERTIFICATE OF SERVICE**

I certify that copies of the foregoing NYNEX COMMENTS were served on each of the parties listed below, this 5th day of July, 1995, by first class United States mail, postage prepaid or, by hand, where indicated:

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